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RR RUEHLMC
DE RUEHSN #2156/01 2981849
ZNR UUUUU ZZH
R 251849Z OCT 07
FM AMEMBASSY SAN SALVADOR
TO RUEHC/SECSTATE WASHDC 8362
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUCPDOG/USDOC WASHDC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHINGTON DC
RUEHRC/USDA FAS WASHDC

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SIPDIS

STATE PASS USAID/LAC
STATE ALSO PASS USTR
USDOC FOR 4332/ITA/MAC/WH/MSIEGELMAN
3134/ITA/USFCS/OIO/WH/PKESHISHIAN/BARTHUR
USDA FAS FOR BZANIN AND YWEDDERBURN

SIPDIS
SENSITIVE

E.O. 12958: N/A
TAGS: [ECON](#) [ETRD](#) [AGR](#) [USTR](#) [ES](#)
SUBJECT: EL SALVADOR: POULTRY INDUSTRY MAIN PLAYERS

¶1. (SBU) Summary. The entrance of U.S. poultry producers to the Salvadoran market has been deterred by GOES claims that U.S. poultry and eggs do not meet stringent GOES sanitary and phytosanitary requirements. However, there are also a small number of well-connected business interests who control not only the domestic market but much of the Central American market. The most influential figure is Carmen Elena Diaz de Sol, the main presidential adviser regarding agricultural policies and the National Director of the Agricultural Sector for the ARENA ruling party. De Sol heads the largest egg operation in Central America and owns the second-largest chicken producing company in El Salvador. End Summary.

Current Status

¶2. (U) El Salvador produces around 1.2 billion eggs per year and around 58 million chickens per year (about 223 million pounds annually). The poultry industry represents approximately 2% of GDP and 16% of agricultural sector GDP.

¶3. (U) El Salvador has prohibited the entry of U.S. poultry and eggs, claiming they don't meet stringent Salvadoran sanitary and phytosanitary standards, including in the latter case that the eggs are salmonella free. When the GOES first notified its stringent standards to the WTO in the late 1990s there apparently were no objections filed to those standards, even though some of the standards appear to lack a scientific basis. The entry barrier has been raised with the GOES at all levels in El Salvador and at the WTO SPS Committee in Geneva.

¶4. (SBU) The GOES has also argued that eggs are not poultry products and were not negotiated under CAFTA. The GOES cited a single U.S. Federal Registry notice where eggs were not considered as poultry products. During a October 22 meeting with Ministry of Agriculture officials, Rafael Gonzalez, a legal advisor to the Minister, expressed surprise that eggs were being considered together with poultry when discussing GOES regulations.

¶5. (U) The Superintendent of Competition has begun a study of the poultry sector in El Salvador. That could lead to an investigation of the companies in the sector for anti-competitive behavior. Similar sector reports on the electricity distribution and gasoline distribution and retail sale sectors by the Superintendent have led to investigations and the imposition of fines on several companies for alleged non-competitive behavior.

Carmen De Sol: Agricultural Commissioner/Queen of Poultry

¶6. (SBU) The most influential figure in the Salvadoran poultry industry is Carmen Elena Diaz de Sol. Ms. de Sol is heavily involved in politics as a prominent member of the Alianza Republicana Nacionalista (ARENA) ruling party and an important contributor to their political campaigns. Currently, she is the special Presidential Agricultural Commissioner for El Salvador. In this role, she is the main presidential adviser on agricultural policies, and every relevant policy measure taken by the Ministry of Agriculture has to be approved by Ms. de Sol. She is also the National Director of the Agricultural Sector for the ARENA National Executive Council (COENA). De Sol is very close to President Saca, and one of her ex-husbands, Mr. Ramon Gonzalez Giner, was Minister of Foreign Affairs during the Presidency of Armando Calderon Sol.

¶7. (U) De Sol heads the largest egg operation in Central America, owns the second-largest chicken producing company in El Salvador, and is also an important sugar cane producer. In El Salvador she owns the second-largest Salvadoran egg producer "El Granjero," and, together with other poultry producers, is a co-owner of the main Salvadoran eggs distributor "Empresas de Granjas Guanacas (Salvadoran Farm Company)," or EGG El Salvador. "El Granjero" was founded in 1961 and produces around 194.4 million eggs per year, roughly 16.2 percent of the Salvadoran eggs market. De Sol also owns "Avicola Santa Rosa" in Honduras and "Avicola Julia" in Guatemala and owns part of the mega-distributors EGG from Guatemala and Avicola the mega-distributor of eggs in Honduras.

¶8. (U) In the chicken business, de Sol owns "Productos Alimenticios Sello de Oro," the second-largest chicken producing company in El Salvador, which annually processes more than 12 million chickens and controls 20% of the Salvadoran market. Their brands are "pollos sello de oro," "patties," and "chompipollo." They also own an

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animal feed factory that, under the brand "Ganamas," produces feed for chicken, dairy cattle and pigs. The Executive Director of "Pollos Sello de Oro," Engineer Agustin Martinez, is the President of the Salvadoran Poultry Association (AVES).

Gutierrez Group: The Owners of "Pollo Campero"

¶9. (SBU) The Gutierrez Group is the second most influential player in the Salvadoran poultry sector. The Gutierrez Group, or Compania Multi Inversiones (CMI), is considered the largest agro-industrial holding company in Central America. They are perhaps best known as the owners of the well known fast food chicken outlets "Pollo Campero." The group includes 300 companies with more than 30,000 employees and operates in 14 countries including Guatemala (its Headquarters), El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Dominican Republic, Brazil, Paraguay, Ecuador, United States, Spain, Mexico, Indonesia and China. They operate in several divisions: poultry and pork; "Pollo Campero" fast food restaurants; flour mills, pasta and cookie production; construction and real estate; communications (telephone and newspaper); hydroelectric power generation, and financial services.

¶10. (U) The Gutierrez group owns "Avicola Salvadorena," the largest Salvadoran Chicken company, which processes around 30 million chickens per year (52% of the Salvadoran market) and sells another five million chicks to third parties. They are vertically integrated, with operations in incubation, production, processing, and distribution. The Gutierrez Group also owns chicken producing companies, factories of animal foods and sausages in Guatemala, Honduras and Costa Rica. They sell fresh chicken in all countries except Honduras (frozen chicken only). Their most known brands are "Toledo," "Pollo Rey" and "Pollo Indio." The Group has expansion plans for Mexico and the Caribbean, and in El Salvador they are investing to increase "Toledo fryings" (hot and ranch wings) production capacity by 50%. Engineer Francisco Flores Recinos, the General Manager of Multi Inversiones (CMI), has referred to CAFTA as "a stone in the shoe" that they will have to overcome.

The Group Lemus-O'Byrne

¶11. (U) Another powerful company in the Salvadoran egg market is Group Lemus-O'Byrne (formerly Group INCOCA). The group is the largest egg producing company in El Salvador, and operates both in El Salvador and Honduras. The Group is heavily involved in the ARENA political party. Executive President Licenciado Roberto Lemus Gonzalez's brother, Mr. Eduardo Lemus-O'Byrne, is Director of Affiliation and Statistics of the ARENA National Executive Council (COENA). The group produces around 292 million eggs per year, equivalent to 24 percent of the Salvadoran eggs market. The Group Lemus-O'Byrne also partly owns EGG El Salvador and the Avicola Mega-distributor in Honduras with Ms. de Sol.

Other Players

¶12. (U) The owner of "La Granja Catalana," the third eggs producing company in El Salvador, Mr. Juan Duch Vidri, is the uncle of the ex-ARENA deputy and ex-President of the Legislative Assembly Juan Duch Martinez. He owns around 500,000 chickens that produce 150 million of eggs per year (approximately 12.5 percent of the egg market).

¶13. (SBU) "Criaves," a genetic incubator of chicken, is owned by Roberto Trabanino and family. Mr. Trabanino is the best friend of Mr. Eduardo Zablah, the ex-Technical Secretary of the Presidency.

Comment

¶14. (SBU) Although the producers have successfully blocked U.S. access for the time being, they have acknowledged that CAFTA-DR eventually will require them to open the market to U.S. producers. CAFTA-DR establishes a chicken quota of 464 metric tons beginning the third year (2008), with annual growth until reaching free trade. Licenciado Carlos Molina, manager of the Salvadoran Poultry Association (Asociacion de Avicultores de El Salvador, AVES), has stated that the industry will have three years to develop a plan to face cheap U.S. chicken imports allowed by CAFTA. Continued political pressure will be required to ensure that this provision enters into force and to push for earlier access to the market.

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¶15. (SBU) It remains to be seen whether the Superintendent of Competition's sector study will lead to an investigation for non-competitive practices. We are somewhat skeptical, given the powerful interests involved in the sector. However, we could be proven wrong. In addition to the poultry sector study, the Superintendent told us that she intends to study the fertilizer and cement sectors. Those sectors are also widely believed to be controlled by local and influential oligopolies. Thus, she seems willing to take on vested interests, but it is an open question whether she will be able to do so. Resolution of the poultry access issues might also come from the USDA invitation, reiterated again in an October 19 letter from USDA Under Secretary Mark Keenum to Agriculture Minister Salaverria, for GOES officials to visit the United States to discuss poultry/egg access issues and review poultry sanitary standards in the United States. It would also be useful to have an independent review of El Salvador's poultry (including eggs) sanitary standards for an independent opinion that they are not supported by scientific standards.

Glazer